

# FISCAL NOTE

**Bill #:** HB0337

**Title:** Families health first, revise Medicaid and CHIP provisions

**Primary Sponsor:** Gary Forrester

**Status:** As Introduced - Revised

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Sponsor Signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<b>Expenditures:</b>		
General Fund	\$ 3,540,758	\$ 3,469,516
Federal Special Revenue	<u>12,154,656</u>	<u>11,972,698</u>
<b>TOTAL</b>	<b>\$15,695,414</b>	<b>\$15,442,214</b>
<b>Revenue:</b>		
Federal Special Revenue	\$4,918,646	\$4,918,448
<b>Net Impact on General Fund Balance:</b>	<b>(\$ 3,540,758)</b>	<b>(\$ 3,469,516)</b>

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<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

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## Fiscal Analysis

### GENERAL ASSUMPTIONS

- The CHIP and TANF block grants are capped federal grants. As we spend additional amounts from these grants, the net impact to the federal revenue balances in these grants is a decrease. Once we exhaust the federal block grants, the state must fully fund any additional expenditures under programs it has created, with state dollars (in this case, general fund).  
 Medicaid is an entitlement program that is matched by the federal government, and as we spend additional amounts in Medicaid, additional federal revenues offset the federal cost share amount. (However, the state must provide the additional general fund amounts to match and draw down those additional federal Medicaid funds. The match rate is called the Federal Medical Assistance Percentage

(FMAP), and is noted in assumptions below.) Between the capped grants and the entitlement grant, the net impact on federal special revenues for this fiscal note, is less than the total federal special revenue costs reflected in the fiscal note.

ASSUMPTIONS – HUMAN & COMMUNITY SERVICES – PROGRAM 02:

2. There are currently 5,353 cases in the Pregnant Woman category. Increasing eligibility to 185% of poverty would increase cases to 7,446, for a caseload increase of 2,093. (Under the federal Medicaid program, the eligibility for Poverty Pregnant Women is restricted to a maximum of 185% of poverty. This category could not be covered up to 200% of poverty.)
3. There are currently 9,148 cases in the Poverty Child category. Increasing eligibility to 185% of the poverty would increase cases to 12,725, for a caseload increase of 3,577. (Under the federal Medicaid program, the eligibility for Poverty Children is restricted to a maximum of 185% of poverty. This category could not be covered up to 200% of poverty.)
4. The new eligibility determination process without a resource test would take approximately one hour. Increased time for determining eligibility is an additional 5,670 hours.
5. Eligibility workers estimate that 15 minutes would be saved per case if resources did not have to be determined. Savings in determining eligibility for the current caseload of 14,501 cases would be 3,625 hours.
6. The net effect between increased costs for determining eligibility for 5,670 additional cases and the savings resulting from the lack of a resource test for current cases is 2,045 hours per year. This represents a 1.00 FTE, grade 12, eligibility worker, funded with 50% general fund and 50% federal funds.

ASSUMPTIONS – HEALTH POLICY & SERVICES – PROGRAM 07:

INCREASE CHIP ELIGIBILITY FOR CHILDREN TO 200% OF THE FEDERAL POVERTY LEVEL:

7. The Children's Health Insurance Program (CHIP) is limited to state and federal appropriations and is not an entitlement program.
8. Under current law, only children in families with incomes at or below 150% of the federal poverty level, and satisfying certain other eligibility criteria, are eligible for services funded under the CHIP program.
9. Funding for CHIP eligible services in FY2002 would be 18.98% (state share) and 81.02% (federal share). Estimated funding in FY2003 would be 18.89% (state share) and 81.11% (federal share).
10. An increase in eligibility from 150% to 200% of poverty would allow 16,443 children to be eligible for the programs. It is estimated that 9,251 children would be covered under the current CHIP program (at 150%). This would result in 7,192 additional children to be added by going to 200%.
11. The Medicaid program will provide coverage for 3,577 of these children (see #16 below), resulting in an increase of 3,615 children in the CHIP program ( $7,192 - 3,577 = 3,615$ ).
12. The current premium rate is \$117.70 per month or \$1,412.40 per child. Per year estimated cost results in an increase of \$5,105,826 ( $3,615 * \$1,412.40 = \$5,105,826$  in each year of the biennium.) (For purposes of this fiscal note, the executive did not estimate an increase in the premium in subsequent years. However, as health care costs continue to increase, the net result will be a need to change benefits levels or eligibility to stay within available CHIP funds, or to backfill increases with other sources of revenue such as general fund.)
13. Under federal guidelines, no more than 10% of the CHIP grant may be used for administrative costs. The remaining 90% must be used to purchase services. This fiscal note anticipates using the full 10% in administrative funds each year of the biennium. This would include \$567,314 and 1.50 FTE (grade 12 eligibility specialist) for eligibility and claims processing systems operations, rent, and equipment.

INCREASE MEDICAID TO 200% OF POVERTY

14. Poverty Child and Poverty Pregnant Women are the only federal aid categories that are not at the maximum allowed under federal limits.
15. Currently Poverty Child is at 133% and can be increased to 185% of poverty under federal limits.
16. Increasing Poverty Child to 185 % would allow 12,725 children to be eligible for the Medicaid program. It is estimated that 9,148 children would be covered under the current program (at 133%). This would result in 3,577 additional children to be added by going to 185%.
17. Current average cost for Poverty Children is \$660.11 per child per year. Estimated cost increase under this bill is \$2,361,213 ( $3,577 * \$660.11 = \$2,361,213$ ). (For purposes of this fiscal note, the executive did not calculate an increase in the average cost of covering Poverty Children due to health care inflation. However, as costs increase, the benefits and eligibility will need to be adjusted, as allowed under federal law, or additional funding, such as general fund, will be needed to maintain the program.)
18. Currently Poverty Pregnant Women is at 133% and can be increased to 185% of poverty under federal limits.
19. Increasing Poverty Pregnant Women to 185% would allow 7,446 Women to be eligible for the Medicaid program. It is estimated that 5,353 Pregnant Women would be covered under the current program (at 133%). This would result in 2,093 additional Pregnant Women to be added by going to 185%.
20. Current average cost for Poverty Pregnant Women is \$2,080.41 per year. Estimated cost increase under this bill is \$4,354,298 ( $2093 * \$2,080.41 = \$4,354,298$ ). (For purposes of this fiscal note, the executive did not calculate an increase in the average cost of covering Pregnant Women due to health care inflation. However, as costs increase, the benefits and eligibility will need to be adjusted, as allowed under federal law, or additional funding, such as general fund, will be needed to maintain the program.)
21. Funding is based on the federal medical assistance participation (FMAP) rate of 27.12% state share and 72.88% federal share in FY 2002 and 26.98% state share and 73.02% federal share in FY 2003.

ASSUMPTIONS – OPERATIONS & TECHNOLOGY – PROGRAM 09:

22. There will be one-time systems startup costs required to implement HB337.
23. The Economic Assistance Management System (TEAMS) will require 320 hours of programming. Cost is \$60/hour, funding is 50% general fund and 50% federal funds.
24. The CHIP system will require 3,900 hours of programming. Cost is \$60/hour and is funded with 18.98% general fund and 81.02% federal funds.

ASSUMPTIONS – ADDICTIVE & MENTAL DISORDERS – PROGRAM 33:

25. There will be an additional 360 children requiring mental health services, based on 5% of the total increase of 7,192 eligible children on the CHIP program.
26. Estimated cost per child for mental health services is \$700 per month. Total cost increase is \$3,024,000 ( $360 * \$700 = \$3,024,000$ ). (For purposes of this fiscal note, the executive did not calculate an increase in the average cost of covering children requiring mental health services due to health care inflation. However, as costs increase, the benefits and eligibility will need to be adjusted, as allowed under federal law, or additional funding, such as general fund, will be needed to maintain the program.)
27. Funding in FY 2002 would be 18.98% state share and 81.02% federal share. Funding in FY 2003 would be 18.89% state share and 81.11% federal share

FISCAL IMPACT:

HUMAN & COMMUNITY SERVICES DIVISION – PROGRAM 02:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
FTE	1.00	1.00
<u>Expenditures:</u>		
Personal Services	\$29,562	\$29,562
<u>Funding:</u>		
General Fund (01)	\$14,781	\$14,781
Federal Special Revenue (03)	<u>14,781</u>	<u>14,781</u>
TOTAL	\$29,562	\$29,562
<u>Revenue:</u>		
Federal Special Revenue (03)	\$14,781	\$14,781

HEALTH POLICY & SERVICES DIVISION– PROGRAM 07:

INCREASE IN CHIP ELIGIBILITY:

FTE	1.50	1.50
<u>Expenditures:</u>		
Personal Services	\$ 44,343	\$ 44,343
Operating Expenses	518,971	522,971
Equipment	4,000	0
Benefits	<u>5,105,826</u>	<u>5,105,826</u>
TOTAL	\$5,673,140	\$5,673,140
<u>Funding:</u>		
General Fund (01)	\$1,076,762	\$1,071,656
Federal Special Revenue (03)	<u>4,596,378</u>	<u>4,601,484</u>
TOTAL	\$5,673,140	\$5,673,140

INCREASE MEDICAID ELIGIBILITY:

<u>Expenditures:</u>		
Benefits	<u>\$6,715,512</u>	<u>\$6,715,512</u>
TOTAL	\$6,715,512	\$6,715,512
<u>Funding:</u>		
General Fund (01)	\$1,821,247	\$1,811,845
Federal Special Revenue (03)	<u>4,894,265</u>	<u>4,903,667</u>
TOTAL	\$6,715,512	\$6,715,512

Revenue:

Federal Special Revenue (03)	\$ 4,894,265	\$4,903,667
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OPERATIONS & TECHNOLOGY DIVISION – PROGRAM 09:

Expenditures:

Operating Expenses	\$253,200	\$0
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Funding:

General Fund (01)	\$ 54,013	\$0
Federal Special Revenue (03)	<u>199,187</u>	<u>0</u>
TOTAL	\$253,200	\$0

Revenue:

Federal Special Revenue (03)	\$9,600	\$0
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ADDICTIVE & MENTAL DISORDERS DIVISION– PROGRAM 33:

Expenditures:

Benefits	<u>\$3,024,000</u>	<u>\$3,024,000</u>
TOTAL	\$3,024,000	\$3,024,000

Funding:

General Fund (01)	\$ 573,955	\$ 571,234
Federal Special Revenue (03)	<u>2,450,045</u>	<u>2,452,766</u>
TOTAL	\$3,024,000	\$3,024,000

TOTAL IMPACT FROM BILL:

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$3,540,758)	(\$3,469,516)
Federal Special Revenue (03) (CHIP)	(\$7,236,010)	(\$7,054,250)

LONG RANGE IMPACTS:

The funding for increasing CHIP eligibility for children to 200% of poverty will come from the federal CHIP grants for each respective year of the biennium and the required state match. However, the annual cost will exceed the available amount of block grant for each given state fiscal year, therefore the excess amount will be funded by using unspent balances from prior year CHIP block grants. (During implementation and until full enrollment of CHIP eligible children in the program was achieved, the state did not use all of the available federal block grant funds in their entirety. These balances are available for subsequent years expenditures, subject to certain restrictions.) During FY 2002 and FY 2003, there will be adequate carry forward funds to pay for children up to 200% of poverty. However, in subsequent years, once the carry forward funds are exhausted, the program will either need to be reduced to fit within the available federal block grant funding and state match, or the additional costs will need to be funded entirely from general fund.